

**To:** Laszewski, Virginia[Laszewski.Virginia@epa.gov]  
**From:** Frank Zaski  
**Sent:** Tue 10/18/2016 2:29:17 AM  
**Subject:** Nexus and Rover gas pipelines are part of a substantial overbuild problem

Virginia, This is just for your Rover and Nexus files, nothing official. frank

Posted to FERC

[http://elibrary.ferc.gov/idmws/file\\_list.asp?accession\\_num=20161017-5009](http://elibrary.ferc.gov/idmws/file_list.asp?accession_num=20161017-5009)

FERC must consider that the Nexus pipeline is part of a substantial overbuild problem. The newly reduced transportation tolls on TransCanada, along with approving and building Nexus and Rover, will result in far more gas capacity flowing into Michigan and the Dawn Hub than needed.

FERC must also consider that the Dawn Hub has declined in volume now that more gas is flowing into Ontario from New York than through Michigan.

The Ontario gas market is not that large - it is smaller than in Illinois. Plus, demand for gas in Ontario had been flat and there are plans to reduce gas use.

#### THERE IS INCREASING GAS PIPELINE CAPACITY CHASING DECLINING DEMAND

This overbuilding will result in duplicative facilities, harm competitive transportation alternatives, increase unsubscribed capacity, and unnecessarily disrupt the environment and use of eminent domain. Details:

#### THESE THREE PIPES TOGETHER WILL DESTROY THE DAWN HUB PRICE PREMIUM

WESTERN CANADA IS NOT GIVING UP ON SHIPPING NATURAL GAS EAST as Nexus and Rover have implied. TransCanada is asking Canadian natural gas producers to formally commit to shipping 1.5 billion cubic feet per day of their gas from Alberta to Ontario. Terms are far more favorable than for Nexus or Rover to transport Marcellus/Utica gas. TransCanada tolls are roughly US \$0. 60/GJ for 10 years with early termination rights after five years. [http://business.financialpost.com/news/energy/transcanada-officially-calls-for-new-shipments-on-its-mainline-with-lower-than-expected-tolls?\\_lsa=a5c1-4fa9](http://business.financialpost.com/news/energy/transcanada-officially-calls-for-new-shipments-on-its-mainline-with-lower-than-expected-tolls?_lsa=a5c1-4fa9)  
<http://marcellusdrilling.com/2016/10/transcanada-launches-open-season-to-lowball-marcellusutica-gas/>  
<http://www.naturalgasintel.com/articles/108096-western-canada-awaiting-surfeit-of-natural-gas-as-three-pipeline-projects-inch-forward>

The Canadian Association of Petroleum Producers is actively supporting TransCanada's plan. An analyst finds, "The southern Ontario and Quebec markets consume an average of 3 billion cubic feet of natural gas per day, which is not a large enough market to support TransCanada, Nexus and Rover all delivering volumes to Dawn." [http://business.financialpost.com/news/energy/a-battle-brewing-in-toronto-could-decide-the-future-of-canadas-natural-gas-industry?\\_lsa=9795-2c1c](http://business.financialpost.com/news/energy/a-battle-brewing-in-toronto-could-decide-the-future-of-canadas-natural-gas-industry?_lsa=9795-2c1c)

A Sanford Bernstein report "outlined a scenario where 3.7 Bcf/d of take-or-pay capacity is built to the 3 Bcf/d eastern Canadian gas markets, which could bring prices at the Dawn, Ontario, hub \$1/MMBtu below the benchmark Henry Hub price, a result WHERE ALL SHIPPERS LOSE."

"Dawn will be glutted with at least 3.7 Bcf/d of take-or-pay gas, destroying the current \$2/MMBtu premium Dawn pays Appalachian E&P shippers over local points."

"The problem is, if all three projects take place and send take-or-pay gas to Dawn, this basis will close, and should equal the variable cost to transport to Dawn," the report said. "This will be a negative for all shippers involved, who have signed up for take or pay tariffs in the 70+ cent range."

"We believe that each project thinks that by aggressively moving forward, it can "scare" other projects off. We don't believe there is much validity to this theory,"

<https://www.snl.com/InteractiveX/article.aspx?ID=38000618&KPLT=4>

### **THE ONTARIO MARKET FOR NATURAL GAS IS A SMALLER THAN THAT OF ILLINOIS**

Ontario has roughly the same population as Illinois (13.6 million vs 12.9 million), and, Ontario has a smaller economy - \$US560 billion GDP vs \$US742 billion for Illinois.

<http://www.fin.gov.on.ca/en/economy/ecupdates/factsheet.html>

Total electric generation in Ontario was 154 TWh but 202 TWh in Illinois. Installed generating capacity totals 36,050 MW in Ontario but 44,727 MW in Illinois.

### **Natural gas accounts for only 10% of Ontario's electric production**

Ontario's electric output by fuel type in 2015 was: nuclear (60%), hydro (24%), **gas (10%)** and wind (6%).

<http://www.ieso.ca/Pages/Power-Data/demand.aspx>

<http://www.ieso.ca/Pages/Power-Data/Supply.aspx>

<https://www.eia.gov/electricity/state/illinois/>

And gas use is trending lower, gas accounted for only 6.7% of Ontario's electric generation in the 2nd quarter 2016. [http://www.ontarioenergyreport.ca/pdfs/5924\\_IESO\\_Q2OER2016\\_Electricity.pdf](http://www.ontarioenergyreport.ca/pdfs/5924_IESO_Q2OER2016_Electricity.pdf)

Total electric demand in Ontario was 137 TWh but 141.5 TWh in Illinois. Ontario electric demand has steadily declined for the past decade, dropping 13% from 2005 to 2015.

Ontario is working to lower CO2 and methane emissions by increasing heating and other energy efficiency, adding hydro and renewable energy and extending the lives of their nuclear plants.

<http://www.ieso.ca/Pages/Conservation/Conservation-First-Framework/default.aspx>

Neighboring Quebec gets 96% of their electricity from hydro.

[https://en.wikipedia.org/wiki/Hydroelectricity\\_in\\_Canada](https://en.wikipedia.org/wiki/Hydroelectricity_in_Canada)

### **DAWN HUB IS DECLINING IN IMPORTANCE**

In July 2016, gas exports from New York to Ontario (24.4 Bcf) were GREATER than that from SE Michigan to Ontario (22.2 Bcf).

Gas shipments to Dawn through South East Michigan to Ontario have DECLINED 45% from 2011 to 480,400 Bcf in 2015. During the same time period, New York exports to Canada increased 400% to 188,700 Bcf.

[https://www.eia.gov/dnav/ng/ng\\_move\\_poe2\\_a\\_EPG0\\_ENP\\_Mmcf\\_m.htm](https://www.eia.gov/dnav/ng/ng_move_poe2_a_EPG0_ENP_Mmcf_m.htm)

### **THE MICHIGAN/ONTARIO GAS INFLOW AND OUTFLOW PIPELINE CAPACITY HAS INCREASED WHILE THE DEMAND FOR GAS IS STABLE AND EVEN DECLINING**

Michigan already has considerable gas pipeline inflow capacity from Ohio, Wisconsin and Indiana and considerable outflow capacity to Ontario and both have increased from 2000 to 2015.

<https://www.eia.gov/naturalgas/pipelines/EIA-StatetoStateCapacity.xls>

During the same time, natural gas usage in Michigan declined 9% and gas sales have plateaued in Ontario and Quebec. [http://www.eia.gov/dnav/ng/hist/na1490\\_smi\\_2a.htm](http://www.eia.gov/dnav/ng/hist/na1490_smi_2a.htm)

<http://www5.statcan.gc.ca/cansim/pick-choisir?lang=eng&p2=33&id=1290002>

### **Comments**

There is just too much pipeline capacity planned for Dawn chasing too little demand in Ontario, Quebec and Michigan. It is likely these companies will not solve this problem on their own. FERC must take charge and ask the tough questions.

It appears that FERC should not approve BOTH Rover and Nexus, and probably not either. It is the time for FERC to follow its policy and “promote efficient use of existing facilities.”

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